

**GRAVITY DRAINAGE DISTRICT NO. 5
OF WARD 4 OF CALCASIEU PARISH**

**A COMPONENT UNIT OF THE
CALCASIEU PARISH POLICE JURY
Sulphur, Louisiana**

ANNUAL FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

Release Date JUL 03 2013

**STUTZMAN & GATES, LLC
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 1238
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**GRAVITY DRAINAGE DISTRICT NO. 5
OF WARD 4 OF CALCASIEU PARISH**

**A COMPONENT UNIT OF THE
CALCASIEU PARISH POLICE JURY
Sulphur, Louisiana**

ANNUAL FINANCIAL STATEMENTS

As of and For the Year Ended December 31, 2012

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Stutzman & Gates, LLC

Certified Public Accountants

Members.
*American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants*

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish
A Component Unit of the Calcasieu Parish Police Jury
Sulphur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish, component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Gravity Drainage District No 5 of Ward 4 of Calcasieu Parish, as of December 31, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Capital Projects Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America

Emphasis of Matter

As described in Note 13 to the financial statements, in 2012, the District adopted new accounting guidance, GASB Statement No 63, *Reporting Deferred Outflows, Deferred Inflows, and Net Position*. Our opinion is not modified with respect to this matter.

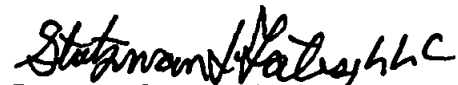
Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013, on our consideration of the Gravity Drainage District No 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gravity Drainage District No 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting and compliance.



Stutzman & Gates, LLC
Sulphur, Louisiana
May 29, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATEMENT OF NET POSITION
December 31, 2012

ASSETS

Current Assets:	
Cash	\$ 4,734,570
Receivables.	
Taxes (net)	3,505,315
State revenue sharing	23,279
Interest	107
Prepaid assets	56,096
TOTAL CURRENT ASSETS	<u>8,319,367</u>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>9,796,058</u>
TOTAL ASSETS	<u>18,115,425</u>

LIABILITIES

Current Liabilities:	
Accounts payable	349,980
Salaries payable	39,441
Compensated absences	<u>4,959</u>
TOTAL LIABILITIES	<u>394,380</u>
Net Position:	
Net investment in capital assets	9,796,058
Unrestricted	<u>7,924,987</u>
TOTAL NET POSITION	<u>\$ 17,721,045</u>

The accompanying notes are an integral part of this statement

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Function/Program	EXPENSES	PROGRAM REVENUES			NET (EXPENSES) REVENUES & CHANGES IN NET POSITION
		FEES, FINES, & CHARGES FOR SERVICES	OPERATING GRANTS & CONTRIBUTIONS	CAPITAL GRANTS & CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
Drainage work	\$ (2,272,618)	\$ -	\$ -	\$ -	\$ (2,272,618)
TOTAL	<u>\$ (2,272,618)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,272,618)</u>

General Revenues

Ad Valorem Taxes	3,599,053
State Revenue Sharing	34,005
Interest	39,189
Gain on Sale of Assets	5,587
Miscellaneous	8,734
TOTAL GENERAL REVENUES	<u>3,686,568</u>

CHANGE IN NET POSITION 1,413,950

NET POSITION - BEGINNING 16,307,095

NET POSITION - ENDING \$ 17,721,045

The accompanying notes are an integral part of this statement

FUND FINANCIAL STATEMENTS

MAJOR FUND DESCRIPTIONS

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
ALL FUND TYPES
BALANCE SHEET
December 31, 2012

		GOVERNMENTAL FUNDS		
		General Fund	Capital Projects Fund	Total
ASSETS				
Cash		\$ 4,705,253	\$ 29,317	\$ 4,734,570
Receivables:				
Taxes (net)		3,447,510	-	3,447,510
State revenue sharing		23,279	-	23,279
Interest		107	-	107
Prepaid assets		56,096	-	56,096
TOTAL ASSETS		<u>\$ 8,232,245</u>	<u>\$ 29,317</u>	<u>\$ 8,261,562</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable		\$ 349,980	\$ -	\$ 349,980
Salaries payable		39,441	-	39,441
Compensated absences		4,959	-	4,959
TOTAL LIABILITIES		<u>394,380</u>	<u>-</u>	<u>394,380</u>
Fund Balances				
Nonspendable - prepaids		56,096	-	56,096
Restricted - capital outlay		-	29,317	29,317
Committed - capital outlay		2,471,074	-	2,471,074
Unassigned		5,310,695	-	5,310,695
TOTAL FUND BALANCES		<u>7,837,865</u>	<u>29,317</u>	<u>7,867,182</u>
TOTAL LIABILITIES AND FUND BALANCES		<u>\$ 8,232,245</u>	<u>\$ 29,317</u>	<u>\$ 8,261,562</u>

The accompanying notes are an integral part of this statement

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
December 31, 2012

TOTAL FUND BALANCE FOR GOVERNMENTAL FUNDS AT DECEMBER 31, 2012	\$ 7,867,182
Total net position reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets, net of accumulated depreciation	9,796,058
Certain property tax revenue receivable that will not be collected within 60 days of year end are not considered available in the governmental funds.	<u>57,805</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES AT DECEMBER 31, 2012	<u>\$ 17,721,045</u>

The accompanying notes are an integral part of this statement.

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2012

	General Fund	Capital Projects Fund	Total
REVENUES			
Ad valorem taxes - net	\$ 3,599,762	\$ -	\$ 3,599,762
State revenue sharing	34,005	-	34,005
Interest	39,059	129	39,188
Sale of assets	16,008	-	16,008
Miscellaneous	-	8,734	8,734
TOTAL REVENUES	3,688,834	8,863	3,697,697
EXPENDITURES			
Current			
Advertising	343	-	343
Audit fees	8,400	-	8,400
Engineer fees	6,600	-	6,600
Fuel & gas	121,044	-	121,044
Insurance	95,315	-	95,315
Insurance - group	221,100	-	221,100
Maintenance & repairs	81,920	-	81,920
Materials & supplies	66,917	-	66,917
Miscellaneous	2,737	-	2,737
Office supplies	2,492	-	2,492
Per diem	24,000	-	24,000
Retirement	154,562	-	154,562
Right of way agent fees	375	-	375
Salaries	977,349	-	977,349
Taxes	11,114	-	11,114
Tools & equipment	5,656	-	5,656
Travel	43	-	43
Uniforms	2,161	-	2,161
Utilities	12,327	-	12,327
Capital outlay	3,259,165	16,194	3,275,359
TOTAL EXPENDITURES	5,053,620	16,194	5,069,814
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,364,786)	(7,331)	(1,372,117)
OTHER FINANCING SOURCES (USES)			
Operating transfers in (out)	(25,000)	25,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,389,786)	17,669	(1,372,117)
FUND BALANCE - BEGINNING	9,227,651	11,648	9,239,299
FUND BALANCE - ENDING	\$ 7,837,865	\$ 29,317	\$ 7,867,182

The accompanying notes are an integral part of this statement

**GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY**

General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Ad valorem taxes - net	\$ 3,200,432	\$ 3,200,432	\$ 3,599,762	\$ 399,330
State revenue sharing	33,000	33,000	34,005	1,005
Interest on investments	22,700	22,700	39,059	16,359
Sale of assets	-	-	16,008	16,008
Miscellaneous	7,000	7,000	-	(7,000)
TOTAL REVENUES	<u>3,263,132</u>	<u>3,263,132</u>	<u>3,688,834</u>	<u>425,702</u>
EXPENDITURES				
Current				
Advertising	1,000	1,000	343	657
Appraisal	2,000	2,000	-	2,000
Audit fees	8,650	8,650	8,400	250
Engineer fees	6,600	6,600	6,600	-
Equipment rental	2,000	2,000	-	2,000
Fuel & gas	130,000	130,000	121,044	8,956
Insurance	107,600	107,600	95,315	12,285
Insurance - group	235,993	235,993	221,100	14,893
Maintenance & repairs	142,000	142,000	81,920	60,080
Materials & supplies	115,000	115,000	66,917	48,083
Miscellaneous	30,000	30,000	2,737	27,263
Office supplies	3,000	3,000	2,492	508
Per diem	24,000	24,000	24,000	-
Retirement	158,500	158,500	154,562	3,938
Right of way agent fees	1,500	1,500	375	1,125
Salaries	1,005,900	1,005,900	977,349	28,551
Taxes	12,000	12,000	11,114	886
Tools & equipment	16,000	16,000	5,656	10,344
Travel	1,000	1,000	43	957
Uniforms	1,500	1,500	2,161	(661)
Utilities	18,000	18,000	12,327	5,673
Capital outlay	3,450,000	3,450,000	3,259,165	190,835
TOTAL EXPENDITURES	<u>5,472,243</u>	<u>5,472,243</u>	<u>5,053,620</u>	<u>418,623</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,209,111)</u>	<u>(2,209,111)</u>	<u>(1,364,786)</u>	<u>844,325</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)	(25,000)	(25,000)	(25,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(2,234,111)</u>	<u>(2,234,111)</u>	<u>(1,389,786)</u>	<u>844,325</u>
FUND BALANCE - BEGINNING	<u>9,227,651</u>	<u>9,227,651</u>	<u>9,227,651</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 6,993,540</u>	<u>\$ 6,993,540</u>	<u>\$ 7,837,865</u>	<u>\$ 844,325</u>

The accompanying notes are an integral part of this statement

**GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY**

**Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Interest	\$ 50	\$ 50	\$ 129	\$ 79
Other income	25,000	8,800	8,734	(66)
TOTAL REVENUES	<u>25,050</u>	<u>8,850</u>	<u>8,863</u>	<u>13</u>
EXPENDITURES				
Capital outlay	50,000	33,800	16,194	17,606
TOTAL EXPENDITURES	<u>50,000</u>	<u>33,800</u>	<u>16,194</u>	<u>17,606</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(24,950)	(24,950)	(7,331)	17,619
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	25,000	25,000	25,000	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>50</u>	<u>50</u>	<u>17,669</u>	<u>17,619</u>
FUND BALANCE - BEGINNING	<u>11,648</u>	<u>11,648</u>	<u>11,648</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 11,698</u>	<u>\$ 11,698</u>	<u>\$ 29,317</u>	<u>\$ 17,619</u>

Notes to the Schedules

The budgets are adopted on a basis consistent with generally accepted accounting principles.
The Capital Projects Fund was amended one time in 2012

Capital Projects Fund. The amendment to the original budget consisted of decreasing Other Income and Capital Outlay by \$16,200

The accompanying notes are an integral part of this statement

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS INCREASE (DECREASE)	\$ (1,372,117)
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Governmental funds report capital outlays as expenditures, however, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense:

Capital outlay	\$ 3,267,302	
Depreciation expense	<u>(470,106)</u>	2,797,196

The book value of equipment sold recognized in the government-wide financial statements is not recorded in the governmental fund statements	(10,421)
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Certain property tax revenues receivable will not be collected for several months after year end and are not considered available in the governmental funds.	57,805
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Certain property tax revenues from the prior year were not collected until after 60 days into the current year. These amounts were not considered available in last year's governmental funds and have been included in the current year's revenue in governmental funds	<u>(58,513)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 1,413,950</u>
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The accompanying notes are an integral part of this statement

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the industry audit guide, Audits of State and Local Governments, issued by the American Institute of Certified Public Accountants and the Louisiana Governmental Audit Guide.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish was created by the Calcasieu Parish Police Jury, as authorized by Louisiana Revised Statute 38:1751. The District is governed by a board of five compensated commissioners appointed by the Calcasieu Parish Police Jury and is authorized to construct, maintain and improve the system of gravity drainage within the District. The District has 18 employees in addition to the five board members.

As the governing authority of the parish, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity for the District. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board (GASB) Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organizations' governing body, and
 - a. The ability of the police jury to impose its will on that organization and /or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all members to the governing body and has the ability to impose its will on the District, the District was determined to be a component unit of the Calcasieu Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the police jury, or the other governmental units that comprise the financial reporting entity.

B Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) fees and charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. All individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, reimbursements, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Interfund transfers are made to meet current or anticipated needs of the District.

The District maintains two funds. They are categorized as governmental funds. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the District are described below:

The General Fund is the entity's primary operating fund. It accounts for all financial resources of the entity, except those required to be accounted for in another fund.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

D Cash and Interest-bearing Deposits

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

E. Budgets and Budgetary Accounting

A budget is adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. In November of each year, the budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated. The budget was amended once during 2012.

F. Prepaid Items

The District records as prepaid assets, expenditures during the current period that will benefit the subsequent period.

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., drainage structures, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District has established a \$5,000 capitalization threshold.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Infrastructure assets	25 years
Buildings and building improvements	40 years
Furniture and fixtures	5-12 years
Vehicles	5 years
Equipment	10 years

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Compensated Absences

The District allows employees to accumulate unlimited unused sick leave. Earned vacation time is expected to be used within one year of accrual with a maximum of one week carryforward to the next year, if not used. The liability for accrued sick leave could not be reasonably estimated.

I Estimates

The preparation of financial statements in conformity with U S. generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

J. Interfund Transfers

Transfers are made from the General Fund to the Capital Projects Fund to assist in the payment of normal operating expenditures.

K. Equity Classifications

In the government-wide statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets ”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance of the governmental funds are classified as follows:

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and for property held for resale (unless the proceeds are restricted, committed, or assigned),
2. *Restricted* fund balance category includes amounts that can only be spent for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's Board of Commissioners (the District's highest level of decision-making authority),
4. *Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the Board of Commissioners or by an official or body to which the Board of Commissioners delegates the authority,
5. *Unassigned* fund balance category includes all other spendable amounts

The District's policy is to apply expenditures against committed fund balances, assigned fund balances, and unassigned fund balances, in that order, unless the District has provided otherwise in its commitment or assignment actions

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then, restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then, any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

As of December 31, 2012, the District did not have any assigned fund balances.

NOTE 2 - AD VALOREM TAXES

For the year ended December 31, 2012 taxes of 4.55 mills were levied on property with assessed valuations totaling \$809,976,484 and were dedicated as follows:

General corporate purposes	4.55 mills
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Total taxes levied were \$3,685,393.

GRAVITY DRAINAGE DISTRICT NO.5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 2 - AD VALOREM TAXES

Property tax millage rates are adopted in July for the calendar year in which the taxes are levied and recorded. All taxes are due and collectible when the assessment rolls are filed on or before November 15th of the current year, and become delinquent after December 31. Property taxes not paid by the end of February are subject to lien.

NOTE 3 - CASH AND CASH EQUIVALENTS

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana

Custodial Credit Risk-Deposits Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

Interest Rate Risk. The District does not have a formal deposit and investment policy that limits deposits and investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District places no limitation on the amount the District may invest in any one issuer

At December 31, 2012, the District has cash and cash equivalents (book balances) totaling \$4,734,570 as follows:

Demand deposits	\$ -
Interest-bearing demand deposits	2,729,530
Time deposits	2,005,000
Other	40
Total	<u>\$ 4,734,570</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 3 - CASH AND CASH EQUIVALENTS

At December 31, 2012, the District has \$5,016,686 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$4,766,686 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 4 - RECEIVABLES

The following is a summary of receivables at December 31, 2012:

<u>Class of Receivable</u>	<u>Total</u>
Ad valorem taxes.....	\$ 3,505,315
Other	23,386
Total	<u>\$ 3,528,701</u>

Uncollectable amounts due for ad valorem taxes and other revenues are recognized as bad debts at the time information becomes available which would indicate uncollectibility of the receivable. Although the specific charge-off method is not in conformity with generally accepted accounting principles (GAAP), no allowance for uncollectible receivables was made due to immateriality at December 31, 2012.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 5 - CHANGES IN CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ending December 31, 2012.

	Not being depreciated Land	Buildings	Equipment	Drainage Infrastructure	Total
Current year roll forward.					
Cost at December 31, 2011	\$ 195,986	\$ 554,116	\$ 2,069,549	\$ 7,204,416	\$ 10,024,067
Additions	-	-	194,601	3,078,874	3,273,475
Deletions	-	-	(159,141)	-	(159,141)
Cost at December 31, 2012	<u>\$ 195,986</u>	<u>\$ 554,116</u>	<u>\$ 2,105,009</u>	<u>\$ 10,283,290</u>	<u>\$ 13,138,401</u>
Depreciation:					
Accumulated Depreciation					
December 31, 2011	\$ -	\$ (136,107)	\$ (1,328,840)	\$ (1,549,837)	\$ (3,014,784)
Additions	-	(12,467)	(137,490)	(320,149)	(470,106)
Deletions	-	-	142,547	-	142,547
Accumulated Depreciation					
December 31, 2012	<u>-</u>	<u>(148,574)</u>	<u>(1,323,783)</u>	<u>(1,869,986)</u>	<u>(3,342,343)</u>
Capital assets, net of accumulated depreciation at December 31, 2012	<u>\$ 195,986</u>	<u>\$ 405,542</u>	<u>\$ 781,226</u>	<u>\$ 8,413,304</u>	<u>\$ 9,796,058</u>

Depreciation expense of \$470,106 for the year ended December 31, 2012 was charged to the following governmental functions:

Drainage work \$ 470,106

NOTE 6 - RETIREMENT SYSTEM

Plan Description. Substantially all employees of the District are members of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple - employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the District are members of Plan A.

The system provides retirement, disability and death benefits to plan members and beneficiaries. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 6 - RETIREMENT SYSTEM

Funding Policy. Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 15.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contributions to the System under Plan A for the years ending December 31, 2012, 2011, and 2010 were \$154,562, \$152,641, and \$152,197 respectively, equal to the required contributions for each year.

NOTE 7 - COMPENSATED ABSENCES

At December 31, 2012, employees of the District have accumulated and vested \$4,959 of employee leave benefits. Of this amount, \$4,959 is recorded as an obligation of the General Fund.

NOTE 8 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. The District did not reduce insurance coverage during 2012.

NOTE 9 - COMMITMENTS

The District has ongoing capital outlay commitments relative to drainage and flood control projects. Management believes future revenues and fund balances currently available are more than sufficient to cover these commitments. In 2011, the District approved an option for improvement on Lateral 12A with an estimated cost of \$2,717,438. At December 31, 2012 approximately \$234,700 remained to be expended to complete the improvements.

NOTE 10 - COMPENSATION OF BOARD MEMBERS

A schedule of compensation paid board members is presented in compliance with House Concurrent Resolution No. 54 of the 1979 Session of the Louisiana Legislature. LA Rev. Statute 38.1794 authorizes the District to pay each board member \$100 for each meeting attended, up to 48 meetings per year.

GRAVITY DRAINAGE DISTRICT NO 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE 10 - COMPENSATION OF BOARD MEMBERS

<u>Name</u>	<u>Amount</u>
Curtis Alexander	\$ 4,800
Patrick Fitts	4,800
Neil Nelson	4,800
James Perry	4,800
Lewis Appleby	<u>4,800</u>
Total	<u>\$ 24,000</u>

NOTE 11 - PENDING LITIGATION

There are no lawsuits pending against the District at December 31, 2012.

NOTE 12 - SUBSEQUENT EVENT REVIEW

The District's management has evaluated subsequent events through May 29, 2013, the date which the financial statements were available to be issued.

NOTE 13 - ACCOUNTING CHANGE

The District adopted Governmental Accounting Standards (GASB 63) for the year 2012. The statement provides guidance for reporting the financial statement elements of *deferred outflows of resources* and *deferred inflows of resources*. It also reports net position instead of net assets.

NOTE 14 - NEW ACCOUNTING PRONOUNCEMENT

In June 2011, the Governmental Accounting Standards Board (GASB) approved Statement No. 65, "Items Previously Reported as Assets and Liabilities." The statement clarifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources. The provisions of GASB No. 65 must be implemented by the District for the year ending December 31, 2013. The effect of implementation on the District's financial statements has not yet been determined.

INDEPENDENT AUDITOR'S REPORT SECTION

Stutzman & Gates, LLC

Certified Public Accountants

Members:
American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish
A Component Unit of the Calcasieu Parish Police Jury
Sulphur, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's basic financial statements and have issued our report thereon dated May 29, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. See item 2012-1.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. See item 2012-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's Response to Findings

Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Gravity Drainage District No. 5 of Ward 4 of Calcasieu Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.


Stutzman & Gates, LLC
Sulphur, Louisiana
May 29, 2013

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2012

2012-1 Segregation of Duties

Condition:	Because of the lack of a large staff, more specifically accounting personnel, there is a problem with segregation of duties necessary for proper controls. One person is currently performing the function of preparing disbursements and reconciling the bank statements. We do note that this situation is inherent to most entities of this type and is difficult to solve due to the funding limitations of the District. We recommend that the commissioners take an active interest in the review of all of the financial information. This was also a prior year finding.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation	To the extent cost effective, commissioners should attempt to mitigate this weakness by supervision and review procedures.
Response:	We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

2012-2 Controls Over Financial Reporting

Condition:	In our judgment, the District's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles.
Criteria.	The Auditing Standards Board issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.
Effect	Misstatements in financial statements could go undetected.
Recommendation	In our judgment, due to the lack of resources available to management to correct this significant deficiency in financial reporting, we recommend management mitigate this significant deficiency by having a heightened awareness of all transactions being reported.
Response:	We concur with this recommendation. Commissioners have implemented supervision and review procedures to the extent possible.

GRAVITY DRAINAGE DISTRICT NO. 5 OF WARD 4 OF CALCASIEU PARISH
A COMPONENT UNIT OF THE CALCASIEU PARISH POLICE JURY
STATUS OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2012

2011-1 Segregation of Duties

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved.

2011-2 Controls Over Financial Reporting

Corrective action taken – Due to lack of sufficient financial resources, this finding cannot be resolved